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FINANCIAL NEWS
AND THE SITUATION

Causes of Acute Credit Strain
From Which the United
States Suffers.

TO-DAY'S TAX PAYMENT

Tremendous Losses Are Re-
sulting From Our Disastrous
Freight Blockade.

BY WILLIAM JUSTUS BOIES.

Ever since the income tax became an important factor in the money market the adjustment of the March 15 settlement has relieved the credit strain at this centre. Much of the money paid over to the Government to-day will serve to liquidate maturing issues of Treasury certificates of indebtedness. Consequently the settlement will amount to little more than a transfer of bank credit from one group in the community to another through tax payments to the Government and then liquidating payments to meet whatever certificates mature at this time. That method of effecting heavy payments has worked admirably in the past, and there is good reason to believe that the large transactions which have to be adjusted to-day will not cause undue strain on the banks.

Real Test.

The real test of the present money market is the 7 per cent. quotation for commercial paper and the virtual refusal of the banks to accept bills of 9 or 10 per cent. for time loans based on individual collateral, which denotes unusual conditions for March, often easy money month with the banks, heavy lenders on call and on time. The greatly increased tension this year is fully accounted for by steady outflow of funds to South America and heavy contributions to the Government unusual borrowings by interior banks having to finance the March settlement in the area of feverish land speculation, the tie up of credit through the blockade of freight in the territory in which millions of bushels of grain have been stranded for weeks waiting to be moved to market, maturity of note and bond issues put out by foreign and domestic corporations, the large volume of business that the country is doing at the highest merchandise price level ever attained.

Can Shortage.

These demands arising at a time when the normal credit strain has been immensely increased by the breakdown of a country of intensive agriculture and railroad traffic, so that the business interests should be heavily penalized by being able to deliver merchandise that they have sold. This interference has been effective in converting the most liquid collateral in the world into the slowest of assets at a time when consumers at home and abroad were calling for American merchandise in unparalleled quantities. The up of freight has been a serious handicap to thousands of business men. Aside from a enormous money loss, inefficiency of the railroads may well put out of business an immense amount of highly valuable industrial equipment.

Inefficiency.

Lost motion of that character in a \$5,000,000,000 budget country can only denote incompetency, but also the most inexcusable waste imaginable. It has been an important element in advancing living costs and adding to the distress of millions of people. The mounting prices for things which sustain life. Allowing for war and uncertainty as to just when the railroads would be returned to their owners, it is difficult to find an excuse for the failure of the Railway Administration to order new freight cars for the railroads last year. The result is that the country's transportation equipment at a time when it is needed most is not available. The cost of the best shipping facilities that the people have ever had, not alone for their own comfort, but also for the benefit of millions of new customers abroad, calling in vain for increased exports of raw material and merchandise, which the United States could supply if it could deliver them at seaboard points.

Lost Motion.

In the light of what has developed since it is apparent that the steel strike of last fall and the soft coal strike of a few weeks ago, following closely upon the sharp dearth of harbor traffic last summer, caused prodigious loss to the American people and made restoring order out of the freight chaos in the Western freights yards more difficult than ever. The result of all this is that the nation's delivery services have been greatly hampered, delays incident to the steel strike, soft coal strikes and the far greater dislocation of trade growing out of the present freight blockade, it is safe to say, that the American people will suffer a total loss of \$1,000,000,000 when the account shall have been squared. That estimate seems well within the limit when the losses of potential business can be taken into account. Presently, however, shippers might have done a very much larger business than they have done had not the enormously costly freight blockade developed when an efficient railroad service was urgently needed.

Credit Strain.

If there is anything more calculated to cause credit strain quicker than a serious freight blockade in a country where the great bulk of its economic industrial activity, the economists have not told us what it is. The situation in the Northwest is appalling when it is remembered that, despite the fact that spring wheat production last year was only 60 per cent. of the 1918 crop, the country elevators have about as much wheat on hand as they had a year ago. In North Dakota and South Dakota the situation has been worse. At many centers of farm production, it is necessary to pile up wheat by the roadside as elevators were over crowded owing to failure of railroads to provide cars enough. As a consequence of the freight blockade, country banks have heavily depended on correspondents at service centers. Thus their deposits in large city institutions are much below the norm for the year. This item, the national banks in response to the call by the Comptroller of the Currency for a statement of the conditions on February 28, is expected to show a heavy loss in country bank deposits, the decline in Minneapolis alone having been 18 per cent. at the close of 1918.

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Money Market Safeguards.
It is fortunate that we have emerged from this strain as well as we have. Aggregate demands have been extra-

ordinary, and with the excitement attending the return of the railroads and drastic liquidation in the stock market, the situation has been filled with possibilities of potential danger. This market has not only the demands of American corporations to provide for the extension of our business abroad, our financial responsibilities have increased in such a way as to add materially to the strain on the banks of the centre. It is of the utmost importance that railroad efficiency should be increased, and the country made more self-sufficient more energetically than ever that the nation may make the best possible showing in the world wide competition with productive capacity of nations actively competing with us for lucrative foreign trade. The railroads Supreme Court's ruling that stock dividends cannot be taxed as income have given rise to increased stock market activity in railroad and industrial shares. Those developments are of high importance, but they must not be taken to mean that a feverish bull market is actually in sight. High money is still the controlling factor in Wall street and will continue to be until a large amount of foreign gold has been added to New York bank reserves.

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